



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
WASHINGTON NAVY YARD
1322 PATTERSON AVENUE SE SUITE 1000
WASHINGTON, DC 20374-5065

IN REPLY REFER TO
AMS-DT
26 May 00

MEMORANDUM FOR NAVFAC ACQUISITION PERSONNEL

Subj: SERVICE CONTRACT ACT (SCA) HEALTH AND WELFARE (H&W) RATE (00-26)

Ref: (a) NAVFAC Policy Memorandum 99-26 of 10 Jun 99

Encl: (1) Department of Labor (DOL) All Agency Memorandum (AAM)
#193 of 18 May 00

1. Enclosure (1) is furnished for your information and immediate action.

2. AAM #193 increases the SCA lower-level H&W fringe benefit rate (currently at \$1.63/hour) to \$1.92/hour, effective June 1, 2000. The higher-level H&W rate was frozen in 1997 and remains at \$2.56/hour. Wage determinations (WDs) with the \$2.56/hour H&W rate should be used ONLY on options, extensions, or resolicitations where the existing or previous contract period contained a WD with the \$2.56/hour H&W. All other service contracts should have the lower-level H&W rate.

3. In addition to the revision in H&W noted above, DOL is providing an interim revision to wage rates on nearly all Area WDs pending DOL's selection of a more appropriate survey methodology to be used on future SCA WDs. DOL plans to increase most classification across-the-board 3.5%.

4. The revised Area WDs will be published on the [Wage Determinations On-Line \(WDOL\) Program](#), most likely available by end of business on Tuesday, June 6, 2000. A few notes to remember:

a. Do not incorporate the new H&W rate or revised wage rates into existing contract periods.

b. The revised Area WDs are NOT applicable to a contract action if, in the preceding contract period, the incumbent contractor's employees were covered by a collective bargaining agreement (CBA) with a union. The CBA supersedes any Area WD if the CBA was effective in the preceding period (reference FAR 22.1008-3, 22.1010 and 22.1012-3).

c. The revised Area WDs will be applicable to existing and new solicitations (and resulting contracts). The revised Area WDs will also be applicable to modifications to exercise an option, to extend the term of a contract, or to significantly change the scope of a

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contract, that are issued on or after June 1, 2000 (reference FAR 22.1012-2).

5. This memo cancels and supersedes reference (a). Please ensure this information is disseminated to all contracting personnel involved in service contracts. Any questions regarding applicability of the new H&W rate should be addressed to your activity labor specialist (do not contact the Department of Labor directly).

A handwritten signature in black ink, appearing to read "M. F. Howard", with a stylized flourish at the end.

MICHAEL F. HOWARD
Director, Strategic Management
Community Management Section



Employment Standards Administration Wage and Hour Division Compliance Assistance Materials

Disclaimer

May 18, 2000

MEMORANDUM NO. 193

TO: ALL CONTRACTING AGENCIES OF THE FEDERAL GOVERNMENT AND
CONTRACTING AGENCIES OF THE DISTRICT OF COLUMBIA

FROM: T. MICHAEL KERR
ADMINISTRATOR

SUBJECT: Service Contract Act Health and Welfare Fringe Benefit Changes

In accordance with the requirements of Section 4.52 of Regulations, 29 CFR Part 4, the prevailing health and welfare fringe benefits issued under the McNamara O'Hara Service Contract Act (SCA) will be increased on June 1, 2000. As prescribed by the regulations, the new benefit rate is derived from the latest Bureau of Labor Statistics Employment Cost Index (ECI) summary of Employer Cost for Employee Compensation. Effective June 1, 2000, the new **SCA health and welfare single benefit rate will be \$1.92 per hour or \$76.80 per week or \$332.80 per month.**

Solicitation/Contracts Affected

All Invitation for Bids opened, or other service contracts awarded ~~on or after~~ June 1, 2000, must include an updated SCA WD issued in accordance with the regulatory health and welfare fringe benefit determination methodology. In order to facilitate expedited processing of requests for updated WDs on solicitations that currently contain a WD with the \$1.63 per hour benefit level, contracting agencies:

May contact the Department of Labor on (202) 693-0529 between the hours of 8:15 a.m. and 4:45 p.m. and provide the SF 98 number, and the WD number(s) and revision(s) that were provided with the old health and welfare rate in it. Beginning June 1, updated WDs will be mailed within 24 hours of the telephone request for an update. Contracting Officers operating under a Memorandum of Understanding (MOU) for on-line access to SCA WDs should obtain their revised WDs in accordance with the provisions of the MOU.

Wage Determination for the State of Hawaii

Under Section 2(a) (2) of the Service Contract Act, fringe benefit payments that are required by state law may not be used to satisfy the employer's fringe benefit obligations. In Hawaii, most

employers are required by law to provide health insurance coverage for their employees. Therefore, employer contributions that are made to satisfy the employer's obligations under the Hawaii mandated pre-paid Health Care Act may not be credited toward meeting the contractor's obligations under SCA. The SCA WDs have addressed this issue in the past by excluding the health insurance portion. Currently, most Hawaii WDs specify health and welfare benefit amount of \$.68 per hour.

Consistent with past practices, and in recognition of the fact that Hawaii law requires employer's to provide health care coverage for most employees, SCA WDs for Hawaii will continue to exclude the health insurance portion of the benefits for all employees on whose behalf the employer provides benefits pursuant to the Hawaii prepaid Health Care Act. However, all employers are not required to make and, in fact, do not in some instances make contributions for certain employees under the Hawaii law, and the reduced fringe level is not appropriate for these employees. Therefore, effective June 1, 2000 the new SCA health and welfare fringe benefit rate for Hawaii will be:

\$.70 per hour for all employees on whose behalf the contractor provides health care benefits pursuant to the Hawaii prepaid Health Care Act. For those employee's who are not receiving health care benefits mandated by the Hawaii prepaid Health Care Act, the new health and welfare benefit rate will be \$1.92. For information regarding the Hawaii's prepaid Health Care Act, please contact the Hawaii Employer's Council; P.O. Box 29699; Honolulu, HI 96820-2099; telephone number 1-800-836-1511.



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